

# Retail Insights

## Keys to a Successful Vendor Shop Design Experience

The Shop-in-Shop, or vendor shop as it is commonly known, is an approach to providing high-end department stores with the products of luxury brands in signature, boutique-like settings within the larger store concept. These mutually beneficial relationships between traditional top-tier department stores and small-but-powerful luxury brands have existed since at least the early 1980s, but have gained momentum in recent years and are a growing trend. Today, top department store retailers such as Bloomingdale's, Saks Fifth Avenue and Neiman Marcus are aggressively developing vendor shops within new and existing stores in an effort to capture the cross-over needs of their sophisticated clientele, who demand the best that fashion has to offer globally.

In fact, vendor shop presence has grown to represent a significant percentage of main floor square footage. An allotment of nearly thirty percent is not uncommon and that area should be expected to grow in the future. At the same time, vendor shop development poses some complication for store planners, merchants and contractors. Development challenges fall into three basic categories: timing, expectations and execution:

- **Timing.** The ultimate goal for vendor shops is their completion in time and of high quality for the larger store grand opening. In a perfect world, the retailer and vendor would execute agreements early in the store development phase so that the vendor can provide design documents in coordination with the larger store design and construction schedule. Unfortunately this scenario is rarely the case. Retailer and vendor agreement negotiations can often last until well beyond the permit phase and sometimes into construction. To deal with the disruption caused by this lag in schedule, the retailer's design and construction team must exercise patience but also anticipate change and develop strategies to accommodate vendors' requirements once they become known.
- **Expectations.** Vendors and retailers have varying expectations. Vendors are not equal in size and stature. Some vendors may be small and require only that the department store provide them with adequate square footage, three walls, flooring, ceilings lighting, HVAC, and sign band – or some combination of these elements in order to fit-out with their space with signature sales fixtures and displays. Vendors of high impact may demand larger spaces in choice locations. They may insist on obtaining their own building permit using their own designers, consultants and builders. They usually have higher expectations for available structure, electrical power and HVAC systems, all of which may affect the department store design, especially if infrastructure is already in place.
- **Execution.** The experience of the retailer's design and construction team is invaluable for timely and successful execution of vendor shops. The design and construction team must be familiar with the vendors, their expected level of quality and complication of their designs. The design and construction team must work closely with their merchants to insure that they respect the vendor agreement and provide information, requested by the vendor's design team, in a thorough and timely manner. Careful management of the building permit and



approvals process is essential. The retailer's team must assist the vendor, to a greater or lesser degree, in obtaining approvals. The retail team must inform the vendor team of applicable codes, verify that they comply with regulations and do not propose designs that may adversely affect approvals of the larger store that are already established. The flexibility and creativity of the retail team, which is a skill honed from past experience, is necessary. Deferred permit approvals and construction phasing strategies are often required to execute vendor shops on schedule and achieve required quality. Experienced teams know what approaches to use and how to achieve desired results.

In conclusion, vendor shops are not new. They have been a part of department store development for many years. However, their number and scope are growing and they will play an increasingly important role in luxury department store success. The experience of both vendor and retailer teams is essential to high quality and timely execution of these mutually beneficial arrangements.



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